

**Transcript of Remarks by Senator Kent Conrad (D-ND)  
at Press Conference Reacting to House/Senate GOP Tax Cut Conference Agreement  
May 22, 2003**

This bill is irresponsible as fiscal policy. It is ineffective in terms of stimulating the economy. And, it is utterly unfair.

First with respect to a lack of responsibility, under this bill the debt of the country is going to skyrocket. Under the President's plan, the national debt is going to double, and at the worst possible time because we are right on the eve of the retirement of the baby boom generation, and we are already going to run a record budget deficit this year. The President's response is increase spending, and cut the revenue further exploding deficits and debt.

It is ineffective as stimulus, because only about 17 percent of the cost of this package is effective in the first year. This is when we need lift to the economy. This is when we should be stimulating and giving lift. And yet only a small fraction of this package is effective this year.

Most of the cost is in future years, and in fact, they have tried to hide the future year cost by a whole series of gimmicks, what Senator Baucus calls the yo-yo nature of this tax package. Now you see it, now you don't. It's there. It's gone. It comes back. The true cost of this package without the gimmicks is over a trillion dollars over the next 10 years at the very time the President is asking us to increase the debt limit by almost a trillion dollars.

You know, it's time to connect the dots. What we do here has an effect, and the long-term implications are not to improve economic growth, but to stifle economic growth. Most economists are telling us this package is harmful to long-term economic growth because it is all paid for with borrowed money. It explodes deficits and debt and the dead weight of those deficits and debt will hold the economy back in future years.

Senator Baucus also talked about the benefits. This I think says it all. Under the House plan, those who earn over a million dollars a year get a \$93,000 tax cut, on average, for this year. Those in the middle of the income distribution in this country get \$217. This is totally unfair. No doubt it is hugely beneficial to those at the very top of the income ladder, but those are the people least likely to spend the money and stimulate the economy. So it is very inefficient in terms of providing stimulus and growth.

I should also indicate, that if you think about it, for a \$350 billion package, at most, objective observers have said, you might add a million jobs, many others have said you wouldn't add anywhere close to that and in the long-term you would lose jobs under this plan. But let's just take the administration at its word. A million jobs at a cost of \$350 billion is a cost per job of \$350,000. That is the most inefficient jobs program anyone has ever devised – \$350,000 a job. We would be much better off to just go ahead and hand out the money. That's what they're doing. They're handing out the money, but they're handing it out to the people at the very top end, the people least likely to spend it, and therefore least likely to stimulate the economy.

Here is the really bizarre nature of this package. It is absolutely the most gimmick-

loaded package we have ever seen. This is the marriage penalty. Senator Baucus said they eliminate it, then they bring it back, then they eliminate it again, then they bring it back. This is the kind of tax policy that is being created. And it is also true for the 10 percent bracket. You can see first they provide relief, then they eliminate it completely. And so it goes with every aspect. Here's the top rate on dividends – 38.6 percent, then it drops to 15 percent, then it goes back up to 35 percent. So they built in giant tax increases in the future in this package. Most economists tell us this is likely to create confusion, likely to prevent the long-term commitment from the business community that is needed to actually increase economic growth.

This chart we put upside down to demonstrate the upside down nature of their whole plan. You know, you talk about a bizarre plan. There's too little stimulus in the front-end, too much cost in the back-end, and as a result what you get is job losses. You don't need to take that just from me. The people who have done their own economic analysis – the people that they hired at Macroeconomic Advisors – have told them you get a little bump, not much, not nearly as much as you would get from a well designed stimulus plan, in the short-term. In the long-term, it is worse than doing nothing.

And here's another example of the in and out nature. Here's the small business expensing limit. They dramatically increase it, then they dramatically reduce it. This is only going to lead to chaos and confusion. This is, I would say, the most reckless policy that has ever been proposed by any president, certainly in the time I have served in Congress.

*Question:* It seems like you're having it both ways. You tell us this is a bill loaded with gimmicks that hides the true cost, it's really like a trillion dollar tax cut, then you tell us it is a yo-yo tax cut in which everybody will be confused because their tax cuts will go up and down. Which one is it? Are we suppose to write that it's really a trillion dollar tax cut because none of these tax cuts will ever sunset or do you really believe they are going to sunset and that we're all going to have tax increases?

*Conrad Answer:*

Both are true. If you take out the gimmicks, the sunsets, which the advocates of this bill say they have no intention of going through with, this bill costs over a trillion dollars. But if you look at the wording of the legislation before us, it has the sunsets in it. It has this up and down yo-yo effect that we've discussed. So both are true. And no one can say with certainty what the future will hold. It is clearly the intention of those advancing this legislation not to have the sunsets ever effective. That means the cost of this bill will be over a trillion dollars.

Passing a bill like that in the very week that the President and our Republican colleagues are moving to increase the national debt by nearly a trillion dollars I think ought to remind us of the consequences of these policies. They are exploding the deficits and debt of this nation at the worst possible time because the baby boomers are going to begin retiring this decade. And that is not a projection. They are alive today. They do qualify for Social Security and Medicare. They are going to retire. That is going to dramatically increase the cost to the federal government.

And at the very time those costs increase, the cost of these tax cuts explode, and it is, in my judgement, a profound mistake. It is going to do real damage to this country, and not only in terms of fiscal policy, but in terms of the economic strength of our nation. Economists are saying to us, this doesn't grow the economy, it doesn't strengthen the economy long-term. It hurts it, and I think most people haven't heard that.